HYDUKE RESOURCES LTD.

1999 ANNUAL REPORT

Hyduke Resources Ltd.

... is focused on building its oilfield services businesses into an integrated, value-added provider of equipment and supplies to Canadian and International resource Industries. Hyduke will achieve superior shareholder returns through the aggressive pursuit of growth opportunities, from excellently managed operations and by providing quality products and superior service and support to customers. We have motivated, highly skilled employees, knowledgeable management and superior systems.

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Message to Shareholders

The previous year has been a turbulent one in the oil and gas industry. The total number of wells drilled in western Canada fell approximately 60 percent, from a high of 16,484 in 1997 to 9,744 in 1998. Low oil prices and high refining differentials for heavy oil resulted in a precipitous drop in drilling and service related activity. Also, over the past twelve months we have seen a number of mergers of both major integrated oil companies and larger oilfield service companies. These developments will have an impact on how the oilfield service and supply industry must operate to achieve success in the future. This new trend has underscored Hyduke's commitment to providing our customers with a broad array of integrated services and products.

Hyduke's operating divisions, B.W. Rig Repair and Supply, Reliable Airflow, CanWest Crane & Equipment and the newly acquired Mimco Enterprises Ltd. provide and excellent base for establishing Hyduke Resources Ltd. as a vertically integrated full service provider of drilling related equipment, supplies and services. The acquisition of Mimco Enterprises will enable us to respond to our customer's needs by providing a broader range of services and products and also allowing for synergies and efficiencies in our manufacturing processes.

Hyduke continues to be a leader in the manufacture and repair of oilfield service rigs and related accessories. We also have a strong oil field supply operations with 3 locations in Edmonton, Lloydminster and Red Deer. Our pneumatics division, Reliable Airflow specializes in air-controlled products and services. CanWest Crane & Equipment Ltd. specialize in truck mounted picker sales and service. Mimco Enterprises is a manufacturing and fabrication concern. With state of the art CNC equipment, Mimco provides machining and manufacturing services to a broad range of customers. Mimco also manufactures its own patented pneumatic - percussion - drilling tools and accessories. These drilling tools are marketed under the brand name Stratex.

Largely as a result of lower oil prices and the corresponding decrease in oil drilling and well servicing activity, Hyduke's sales decreased to some fourteen dollars in 1999 compared to thirty million dollars in fiscal 1998. The lower activity caused a net after tax loss of nearly one million dollars in 1999 compared to a net profit after taxes of two million dollars in 1998.

Addressing the market conditions, Hyduke has taken various steps to respond to the decreased activity levels. The Corporation has controlled its cost and overhead wherever and whenever possible. Some of the cost saving steps include B.W. Rig subletting some excess manufacturing space for an interim period, which generated a cost saving of $8,500 per month, and CanWest Crane & Equipment relocated to a superior, higher visibility, lower cost location in Nisku.

Hyduke's revenues and profits are tied directly to the world price of oil and to a lesser extent to the world commodity prices. The price of oil and to a lesser extent to the world commodity prices. The price of oil has increased from a low of $11.00 in February, 1999 to over $23.00 in September of 1999. Given the projected drilling levels of 12,500 - 14,500 new wells for 2000, the Corporation will see increasing revenues and profits in fiscal 2000.

As of August 31, 1999 the Corporation has acquired 100% of the shares of a privately held company incorporated as Mimco Enterprises Ltd. The effective date of the acquisition is May 31, 1999. The consideration for the transaction is the issuance of 100,000 Hyduke shares to the vendor plus the assumption by Hyduke of, a loan obligation of the vendors in the amount of $250,000. Hyduke will also assume Mimco's debt obligations.

Mimco provides fabrication and hi-tech machining services in a 30,000 square foot facility located in the City of Calgary. Mimco has been in business for more than 20 years and has a strong domestic customer base as well as international customers in the U.S. China and Latin America.

Mimco has total assets of $2.4 million comprised of $1.1 million in current assets and equipment with a book value of $1.3 million (appraised value $1.9 million) Mimco's revenues were $5.8 million for their August 31, 1998 year end. Net profit after tax and after discounting related shareholder bonuses and related charges was around $814,000.

Hyduke has concluded a private placement in the amount of $1.3 million with the Bank of Montreal Capital Corporation at $1.60 per share. The proceeds of this placement will be to retire $900,000 of Mimco's debt and to provide a working capital for Mimco of $377,500 after deducting the charges for the private placement.

Hyduke will continue to identify and evaluate various acquisition opportunities, which are consistent with our goal of becoming a major, vertically integrated, full service provider of drilling related equipment, supplies and services.

John Babic
Chairman and CEO

Management's Discussion Analysis

Overview

At the October 22, 1998 Annual General Meeting, approval was granted to change the name of the company from Hyduke Capital Resources Ltd. to Hyduke Resources Ltd.

Hyduke is comprised of three divisions, all serving the oil and gas resources sector and, to a lessor extent, the forestry and mining sectors. The company is committed on continuing to build the business into an integrated, value-added provider of equipment, services and supplies to our customers.

The current divisions of Hyduke and their principal focus are:

B.W. Rig Repair & Supply manufactures, remanufactures and repairs oilfield service rigs. They also specialize in the fabrication of pump trucks, generator buildings and other equipment. B.W. rig has three oilfield supply locations which are located in Edmonton, Lloydminster and Red Deer which provide a full range of service and drilling parts and supplies for the industry. B.W. Rig started in business in 1972.

Reliable Airflow Sales & Service manufactures, sells and services pneumatic controls, pumps, valves and other equipment. They are specialists in pneumatic control panels for drilling and service rigs. They also stock a wide range of pneumatic equipment such as valves, cylinders, control panels, starters and compressors. Reliable started in business in 1981.

CanWest Crane and Equipment has specialized since 1992 in the sale and rig-up of boom trucks, articulating cranes and winches used in the oilfield, mining and construction industries. CanWest is also the authorized dealer for a truck-mounted log loader used in the forestry industry. CanWest provides a complete range of services from custom design and installations to overhauls and certifications.

Results of Operations

For the year ended April 30, 1999, Hyduke recorded total consolidated sales of $13,917,242, a 54% decrease over sales of $30,293,400 in 1998. This decrease contrasted sharply with the 100% increase in 1998 revenues over the $15,106,992 received in fiscal 1997. The decrease in revenues is largely due to low oil prices, which resulted in a downturn of the services sector. This downturn affected all three divisions of the company.

B.W Rig recorded a loss before taxes of $694,635 in 1999 compared to a profit before taxes of $1,833,383 for the year ended April 30, 1998. The three supply store locations and the shop manufacturing/repair operations were all affected by the downturn in the sector due to depressed oil prices which prevailed for most of the year. Although total revenues were $8,415,706 for the B.W. Rig division for the year, margins were significantly reduced in order to maintain market share. The expansion of manufacturing space, which occurred in fiscal 1998 added to overhead. As the services sector gains momentum this year, B.W. Rig will be able to increase efficiencies, customer service and handle greater volumes of work than it did in fiscal 1998.

CanWest Crane and Equipment Division, which had a net loss before taxes of $757,314 in 1999, compared to a net profit before taxes of $786,185 in 1998. During fiscal 1999, Hyduke put new management in place at CanWest. The divisionís operating location was relocated to a more superior, higher visibility, lower cost location in Nisku. Reliable Airflow earned $204,463 before taxes on sales of $1,597,926 in 1999. Although this was less than the $557,022 before taxes earned on sales of $3,454,566 in 1998, Reliable maintained a steady performance throughout the year.

Reflecting the decrease in activity levels and increase in competition for the 1999 year, Hydukeís consolidated gross margin was $604,477. Costs, such as rent and other overhead burdens, as well as reduced margins are reflected in the poor gross margin for the year.

Expenses in 1999 included $113,516 in bad debts, which were higher than the $67,617 for 1998. The company also disposed of some surplus assets at a book loss of $16,492 and booked a writedown of $49,253 in leasehold improvements associated with the relocation of the CanWest division to a new location in Nisku. Operating interest was $357,042 in 1999 compared to $144,818 in 1998. The interest is directly to the HSBC Bank operating loan, which had a higher average balance in 1999, compared to 1998. A main factor for the increased use of the operating line was due to an inventory build up of cranes at CanWest. Early in the 1998 fiscal year, CanWest was faced with a series of backorders for cranes ordered from suppliers. Many of the backorders were halted but invariably shipments in process had to be accepted. Amortization and depreciation at $236,899 was also higher in 1999 than the $219,290 expensed in 1998. This higher expense was the result of an adjustment to the depreciation calculation, for the assets of the CanWest division, in order to be consistent with the Hyduke depreciation policy. Interest on long term debt was only $14,569 in 1999 compared to $39,179. This is reflective of the decrease in total long term debt which stood at $247,203 at April 30, 1999 compared to a total of $560,526 at April 30, 1998.

Management's Discussion Analysis *(cont.)*

The total of administrative and employment, office and automation, sales and marketing and consulting and professional fees for 1999 were $1,295,724 for 1999 and $1,332,949 for 1998.An income tax recovery of $449,107 will be applied for as a result of carrying the 1999 loss back to previous years, The net rate used for the purpose is 31.1%.

There was a basic loss per share of $.13 for 1999 compared to basic earnings per share of $.27 for 1998. A history of Hyduke Resources Earnings (loss) per share is:

1999	$ (.13)
1998	$ .27
1997	$ .15
1996	$ (.01)

Hyduke had a positive working capital position of $1,369,983 at April 30, 1999. This compares to $2,231,510 at April 30 1998 and $1,200,683 in 1997.

Assets totaled $8,273,489 at April 30, 1999. The assets total $11,539,348 in 1998 and $5,023,166 at year end 1997. The decrease in 1999 is a result of lower accounts receivable, inventory and work in progress ñ all reflective of the decreased activity for fiscal 1999.

Liquidity and Capital Resources

As at April 30, 1999 the company was indebted for bank advances $2,925,986. This is an increase of $617,316 from the $2,308,670 outstanding at the end of the 1998 fiscal year. Advances are based on lines of credit from the Hongkong Bank of Canada. The total operating credit line available as at April 30, 1999 was $ $3,950,000 at rates from prime plus 0.75% to 1.25%.

Business Risks and Uncertainties

The companyís revenues continue to be drawn from customers whose business activities are primarily in the oil and gas industry and other resource sectors. As was evident during fiscal 1999, the oil and gas industry is subject to seasonal and industry cycles and fluctuations. Hyduke intends to continue developing its customer base for existing and new manufactured products as part of its strategy to grow the company and improve its ability to withstand industry downturns as they occur.

New computer programs and processing systems were implemented in 1999 to better track inventory and provide job cost and sales information for customers and management. All in-house workstations, computers and software have been tested by third parties for Year 2000 compliance and upgraded where necessary, changes have been made to ensure compatibility with Year 2000 issues. While there are no guarantees that disruptions will not occur, widespread or extended interruptions to our business and service are not expected.

The company recognizes the importance of operating in such a way as to protect the environment. Management knows of no circumstances that would create any significant financial obligations for environmental issues.

Outlook

Hyduke's revenues and profits are tied directly related to the world price of oil and, to a lesser extent, the world commodity prices. The price of oil has increased from a low of $12.50 in February, 1999 to the $20 to $21 level in August, 1999. Given the projected drilling levels forecasted over the upcoming year, management believes that the company will return to increasing revenues and profits in fiscal 2000.

It is Hyduke's vision:

- to become a major, vertically integrated, full-service provider of drilling related equipment, supplies and services
- to expand its presence in North America through internal growth and acquisitions
- and to expand into selective international markets through building and maintaining strong alliances with customers and by forming other strategic relationships.

Hyduke continues to identify and evaluate targeted acquisition opportunities that exist which are available at discounted values. Any acquisition opportunities that complement the activities of our existing divisions are being considered.

Consolidated Financial Statements

Management Responsibility Statement

The management of Hyduke Resources Ltd. is responsible for preparing the consolidated financial statements, and the notes to the consolidated financial statements and other financial information contained in this annual report.

Management prepares the consolidated financial statements in accordance with generally accepted accounting principles. The consolidated financial statements are considered by management to present fairly the company's financial position and results of operations.

Management, in fulfilling its responsibilities, has developed and maintains a system of internal accounting controls designed to provide reasonable assurance that company assets are safeguarded from loss or unauthorized use, and that the records are reliable for preparing the consolidated financial statements.

The consolidated financial statements have been reported on by Watson Aberant Arnold, Chartered Accountants, the shareholders' auditors. Their report outlines the scope of their examination and their opinion on the consolidated financial statements.

R L Ardiel

Chief Financial Officer
Robert Ardiel

Chairman and CEO
John Babic

Auditor's Report

We have audited the consolidated balance sheet of Hyduke Resources Ltd. as at April 30, 1999 and the consolidated statements of operations, retained earnings and changes in financial position for the year then ended. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted an audit in accordance with generally accepted auditing standards. These standards require that we plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and their disclosure in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at April 30, 1999, and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Watson Aberant Arnold

Edmonton, Alberta
August 6, 1999

Chartered Accountants

Consolidated Balance Sheet

ASSETS

	1999	1998
CURRENT ASSETS		
Accounts receivable	$ 2,220,641	$ 4,214,066
Inventory (note 3(b))	3,706,641	4,078,410
Prepaid expenses	74,502	100,665
Work in progress (note 3(d))	364,750	945,379
Current portion of mortgage receivable	45,853	38,550
	6,412,387	9,377,070
MORTGAGE RECEIVABLE (note 4)	439,502	485,355
CAPITAL ASSETS (note 5)	586,804	742,560
OTHER ASSETS (notes 3(f) & 8)	174,460	178,460
GOODWILL (note 6)	660,336	755,903
	$ **8,273,489**	$ **11,539,348**

LIABILITIES

	1999	1998
CURRENT LIABILITIES		
Bank advances (note 7)	$ 2,925,986	$ 2,308,670
Accounts payable and accrued liabilities	1,542,554	3,481,771
Income taxes (note 17)	429,170	1,076,597
Current portion of long-term debt	144,694	278,522
	5,042,404	7,145,560
LONG-TERM DEBT (note 9)	102,509	282,004
	5,144,913	7,427,564

SHAREHOLDERS' EQUITY

	1999	1998
SHARE CAPITAL (note 10)	1,273,065	1,273,065
RETAINED EARNINGS	1,855,511	2,838,719
	3,128,576	4,111,784
	$ **8,273,489**	$ **11,539,348**

Approved By The Board

Director

Director

Consolidated Statement of Operations

	1999	1998
Sales	$ 13,917,242	$ 30,293,400
Cost of sales	13,312,765	25,516,910
Gross margin	604,477	4,776,490
Expenses	1,409,420	1,400,566
Income (loss) from operations	(804,943)	3,375,924
Other income (expenses)	(18,682)	56,819
Income (loss) before amortization, interest, and income taxes	(823,625)	3,432,743
Other expenses	608,510	403,287
Net income (loss) before income taxes	(1,432,135)	3,029,456
Income taxes (recoverable)	(449,107)	1,029,584
NET INCOME (LOSS) FOR THE YEAR	$ (983,028)	$ 1,999,872
Basic earnings (loss) per share for the year (note 14)	(.13)	27
Basic earnings (loss) per share before taxes	(.19)	.41
Basic earnings (loss) per share on income from operations	(.11)	.46

Consolidated Statement of Retained Earnings

	1999	**1998**
Retained earnings at beginning of year	$ 2,838,719	$ 838,847
Net income (loss) for the year	(983,208)	1,999,872
RETAINED EARNINGS AT END OF YEAR	**$ 1,855,511**	**$ 2,838,719**

Consolidated Statement of Changes in Financial Position

	1999	1998
Cash was provided by (used for)		
Operating activities		
Net income (loss) for the year	$ (983,208)	$ 1,999,872
Add (deduct) items which do not		
require a currentoutlay of cash		
Amortization	236,899	219,290
Loss on sale of capital assets	16,492	-
Writedown of leasehold improvements	49,253	-
	(680,564)	2,219,162
Decrease (increase) in accounts receivable	1,993,425	(1,215,210)
Decrease (increase) in inventory	371,769	(3,214,384)
Increase (decrease) in accounts payable and		
accrued liabilities	(1,939,217)	1,289,694
Decrease (increase) in prepaid expenses	26,163	(73,229)
Decrease (increase) in work in progress	580,629	(644,556)
Increase (decrease) in income		
taxes payable - current	(577,842)	553,732
- deferred	(69,585)	142,865
	(295,222)	(941,926)
Investing activities		
Decrease (increase) in investments	6,000	(40,000)
Purchase of land	-	(138,460)
Decrease in advances to related company	-	99,306
Purchase of capital assets	(110,607)	(550,364)
Purchase of goodwill	-	(434,670)
Decrease (increase) in mortgage receivable	38,550	(523,905)
	(66,057)	(1,588,093)
Financing activities		
Issuance of share capital (net of issuance costs)	-	457,050
Decrease in long-term debt, net	(313,323)	(33,565)
Proceeds on sale of capital assets	57,986	-
	(255,337)	423,485
Decrease in cash	(616,616)	(2,106,534)
Bank advances at beginning of year	2,308,670	202,136
BANK ADVANCES AT END OF YEAR	$ 2,925,286	$ 2,308,670

Notes to Consolidated Financial Statements

1. INCORPORATION

The company was incorporated under the provisions of the Business Corporations Act of Alberta on December 8, 1995. The company changed its name from Hyduke Capital Resources Ltd. to Hyduke Resources Ltd. as approved at the October 22, 1998 annual general meeting.

2. NATURE OF OPERATIONS

a) The company issued 4,000,000 shares to acquire 100% of the issued and outstanding shares of 675651 Alberta Ltd., a private company. 675651 Alberta Ltd. operates two divisions, B. W. Rig Repair & Supply and Reliable Airflow Sales & Service. The closing date of the transaction was October 31, 1996.

The purchased net assets of 675651 Alberta Ltd. were as follows:

ASSETS	$ 3,978,466
LIABILITIES	$ 3,443,934

b) The company purchased 100% of the issued and outstanding shares of CanWest Crane and Equipment Ltd. for $1,100,000. The closing date of this transaction was June 2, 1997.

CASH CONSIDERATION	
Note payable	$ 250,000
Cash on closing	$ 425,000
Cash deposit	$ 25,000
SHARE CONSIDERATION	
363,636 common shares (valued at $1.10 per share)	$ 400,000

3. ACCOUNTING POLICIES

a) Basis of Consolidation

The consolidated financial statements include the accounts of the company and its wholly- owned subsidiaries, 675651 Alberta Ltd. and CanWest Crane and Equipment Ltd.

675651 Alberta Ltd.'s accounts are consolidated using the pooling of interests method. Under this method, the assets and liabilities are combined and are accounted for in the combined company's financial statements at their carrying value in the combining companies' records. The reported income of the combined company includes income of the combining companies for the year ended April 30, 1999 adjusted for inter-company transactions.

CanWest Crane and Equipment's accounts are consolidated using the purchase method. Under the purchase method the assets and liabilities are combined and are accounted for in the combined company's financial statements at their fair market value at time of purchase. The reported income of the combined company includes income for the combining companies for the year ended April 30, 1999 adjusted for inter-company transactions and amortization of goodwill (note 6).

b) Inventory

Inventory is valued at the lower of cost or net realizable value.

c) Capital Assets

The company provides for amortization of its capital assets using the following methods and rates:

Shop equipment	Declining balance 20%
Rental equipment	Declining balance 20%
Office equipment	Declining balance 20%
Automotive equipment	Declining balance 30%
Leasehold improvements	Straight line 5 years

These rates are intended to amortize the assets over their estimated useful lives.
Full amortization is recorded in the year of acquisition and none in the year of disposal.

Notes to Consolidated Financial Statements

3. ACCOUNTING POLICIES (cont.)

d) Revenue

Revenue is recognized on the percentage of completion basis. Work in progress represents cost and related revenue on unbilled jobs in process at year end.

e) Translation of Foreign Currencies

Monetary assets in currencies other than Canadian dollars are translated into Canadian dollars using the temporal method of currency translation by which monetary assets are translated at the rate of exchange prevailing at the balance sheet date.Revenue and expense items are translated at the rate of exchange in effect on the dates they occur.

f) Other Assets

Land and Investment in Ramarro Resources Inc. are carried at the lower of cost or net realizable value.

4. MORTGAGE RECEIVABLE

The subsidiary company, 675651 Alberta Ltd. has a mortgage agreement receivable from 692857 Alberta Ltd. The mortgage receivable has the following terms: 1) interest at 9%, 2) payable $7,011 monthly in blended principal and interest payments, 3) secured by a second charge on land and building, 4) due June 30, 2007.

675651 Alberta Ltd. has a lease agreement to lease land and building from 692857 Alberta Ltd. The lease agreement requires 675651 Alberta Ltd. to pay to 692857 Alberta Ltd. 1) $18,000 per month, 2) triple net, 3) expiring June 30, 2007.

	1999	1998
Mortgage receivable, net	$ 485,355	$ 523,905
Less: current portion due within one year	(45,853)	(38,550)
	$ 439,502	$ 485,355

5. CAPITAL ASSETS

	1999			1998
	Cost	Accumulated Amortization	Net	Net
Shop equipment	$ 436,488	$ 166,906	$ 269,582	$ 349,711
Office equipment	221,716	88,137	133,579	141,608
Automotive equipment	217,848	139,619	78,229	82,603
Leasehold improvements	162,257	56,843	105,414	168,638
	$ 1,038,309	$ 451,505	$ 586,804	$ 742,560

6. GOODWILL

Goodwill related to 675651 Alberta Ltd. arose upon the purchase by 675651 Alberta Ltd. of the inventory, capital assets and trade names of B. W. Rig Repair & Supply and Reliable Airflow Sales & Service.

Goodwill related to Canwest Crane and Equipment Ltd. arose on the use of the purchase method to consolidate the accounts of Canwest Crane and Equipment Ltd. This represents the amount by which the total purchase price exceeded the fair market values of the tangible assets purchased.

	675651 Alberta Ltd.	Canwest Crane & Equipment Ltd.	1999	1998
Goodwill	$ 521,000	$ 434,670	$ 955,670	$ 955,670
Less:				
accumulated amortization	(208,400)	(86,934)	(295,334)	(199,767)
	$ 312,600	$ 347,736	$ 660,336	$ 755,903

Goodwill is amortized on a straight-line basis over ten years.

7. BANK ADVANCES

The company and its subsidiary companies are indebted for outstanding and advanced funds under existing lines of credit. Rates on these lines of credits are prime plus .75% to prime plus 1.25%. The credits are due on demand and secured by general security agreements charging all assets of the companies.

8. OTHER ASSETS

	1999	1998
Land, at cost	$ 138,460	$ 138,460
Investment in Ramarro Resources Inc.	36,000	40,000
	$ 174,460	$ 178,460

Land represents property in Nisku, Alberta acquired for future manufacturing facility development. The Investment in Ramarro Resources Inc. was acquired as partial settlement for an outstanding trade receivable.

9. LONG-TERM DEBT

	1999	1998
Bank loan, bearing interest at prime plus 1%, payable $4,050 in blended monthly principal and interest, secured by a general security agreement covering all present and after acquired property, a general assignment of book debts and a charge on inventory, due April 30, 2001	$ 86,290	$ 127,146
Note payable, bearing interest at 10%, payable $9,619 in blended monthly principal and interest, secured by a general security agreement covering all present and after acquired property, due May 31, 1999.	9,582	118,695
Note payable, bearing interest at 10%, payable $7,110 in blended monthly principal and interest, secured by a general security agreement covering all present and after acquired property, due May 31, 1999	7,053	87,357
Note payable, bearing interest at 5%, payable $7,489 in blended monthly principal and interest, secured by a general security agreement covering all present and after acquired property, due October 31, 2000	94,300	177,350
Advances from shareholders, non-interest bearing with no fixed terms of repayment. The shareholders have not requested repayment in the next fiscal year, therefore advances from shareholders have been recorded as a long-term liability.	49,978	49,978
	247,203	560,526
Less principal portion due within one year	144,694	278,522
	$ 102,509	$ 282,004

Anticipated principal repayments over the next three years are as follows:

2000	$ 144,694
2001	50,964
Subsequent	51,545
	$ 247,203

10. SHARE CAPITAL

a) Authorized
Unlimited number of common voting shares
Unlimited number of preferred shares

	1999	1998
Issued		
7,538,636 common shares	$ 1,273,065	$ 1,273,065

b) Summary of share transactions are as follows:

	Number	Amount
Issuance of common shares for cash; April 9, 1996 ($0.10 per share)	1,250,000	$ 125,000
Issuance of common shares for shares of 675651 Alberta Ltd.; October 31, 1996 ($0.1125 per share)	4,000,000	450,022
Issuance of common shares for cash; public offering - May 24, 1996 ($0.20 per share less issue costs)	1,500,000	225,993
Option on common shares exercised November 28, 1996 ($0.20 per share)	75,000	15,000
Director's option on common shares exercised May 6, 1997 ($0.20 per share)	275,000	55,000
Issuance of common shares for net assets of CanWest Crane and Equipment Ltd. effective June 2, 1997 ($1.10 per share less issue costs)	363,636	387,050
Option on common shares exercised September 19, 1997 ($0.20 per share)	75,000	15,000
	7,538,636	$ 1,273,065

c) The company follows the accounting policy of reducing the proceeds by the costs directly related to the issuance.

d) i) The 1,250,000 common shares issued on April 9, 1996 are to be held in escrow and may be released only in accordance with the provisions of Alberta Securities Commission Policy 4.11. As at April 30, 1999, 416,664 remain in escrow.

ii) Of the 4,000,000 shares issued on October 31, 1996, 2,200,000 are to be held in escrow and may be released only in accordance with the provisions of the Alberta Securities Commission Policy 4.11. As at April 30, 1999, 733,336 remain in escrow.

e) The preferred shares may be issued in one or more series and the directors are authorized to fix the number of shares in each series and to determine the designation, rights, privileges, restrictions and conditions attached to the shares of each series.

f) The corporation granted Yorkton Securities Ltd. a non-transferrable option to purchase 150,000 common shares at a price of $0.20 per share as partial consideration to act as agents for the public offering. On November 28, 1996, Yorkton Securities Ltd. exercised half of their option and acquired 75,000 shares of the company. On September 19, 1997, Yorkton Securities Ltd. exercised the remainder of their option and acquired an additional 75,000 shares of the company.

11. STOCK OPTIONS

The Corporation has entered into a Directors, Management and Key Employees Stock Option Agreement. Under this agreement the officers and directors have been granted options to purchase 682,500 shares as follows:

Date Granted	Option Price	Shares Under Option
October 31, 1996	$ 0.72	400,000
May 29, 1997	$ 1.27	282,500
		682,500

The options will expire five years from the date of granting of the options.

12. SUBSEQUENT EVENT

a) On May 10, 1999 the stock options granted on May 29, 1997 for 282,500 shares were cancelled by the company's Board of Directors. On May 10, 1999 officers and Directors have been granted a total of 325,971 shares at an option price of $0.54 per share.

b) Subsequent to year end the company entered into an agreement to acquire all the outstanding shares of Mimco Enterprises Ltd.

Mimco Enterprises Ltd. provides fabrication and machining services predominantly to the oil and gas industry. In addition they manufacture and market drilling tools.

In consideration for the shares of Mimco Enterprises Ltd., Hyduke has:

1) Issued 100,000 shares
2) Assumed loan obligations of the vendor of $250,000

As at May 31, 1999, the unaudited financial statements of Mimco Enterprises Ltd. reflected approximately:

ASSETS	$ 2,449,803
LIABILITIES	$ 3,410,411

As part of the acquisition Hyduke Resources Ltd. will issue to Bank of Montreal Capital Corporation 812,500 shares at a per share price of $1.60 (total $1,300,000). These funds will be used as follows:

1) Retire debt of Mimco Enterprises Ltd. - $900,000
2) Provide working capital for Mimco Enterprises Ltd. - $400,000

13. COMPENSATION TO DIRECTORS

	1999	1998
During the year, the total fees paid to directors as compensation for their services as executive officers and managers	$ 277,535	$ 265,500

14. EARNINGS (LOSS) PER COMMON SHARE OR EQUIVALENT

	1999	1998
Basic earnings (loss) per share	$ (0.1304)	$ 0.2680
Fully diluted earnings per share	$ -	$ 0.2450

The calculation of basic earnings per share is based on the weighted average number of common shares outstanding during the year. Fully diluted earnings per share has not been calculated in the current year as it would decrease the loss per share.

15. LEASE COMMITMENTS

The future minimum principal lease payments for occupancy costs for the next five years are as follows:

2000	$ 404,570
2001	377,000
2002	201,700
2003	128,000
2004	128,000

16. SEGMENTED INFORMATION

Operating segments are as follows:

	Reliable Airflow	B.W. Rig	CanWest Crane	Other	Totals
Revenue from external customers	$ 1,597,926	$ 8,415,706	$ 3,903,610	$ -	$ 13,917,242
Segment profit (loss) before taxes	$ 204,463	$ (694,635)	$ (757,314)	$ (184,649)	$ (1,432,135)
Segment profit (loss) after taxes	$ 141,080	$ (432,776)	$ (506,683)	$ (184,649)	$ (983,028)
Segment assets	$ 753,980	$ 5,743,727	$ 2,684,372	$ (908,590)	$ 8,273,489

17. INCOME TAXES

The following table reconciles the difference between the income taxes that would result solely by applying statutory tax rates to pre-tax income and the income taxes actually provided in the account:

	1999		1998	
	Amount	%	Amount	%
Income (loss) before income taxes	$ (1,432,135)	100.0	$ 3,029,456	100.0
Statutory income tax	(638,732)	44.6	1,351,138	44.6
Tax effect of expenses that (are) are not deductible for tax purposes in the current year	189,625	(13.2)	(321,554)	(10.7)
Income tax expense	$ (449,107)	31.4	$ 1,029,584	33.9

Income tax expense (recoverable) is comprised of:

	1999	1998
Current (recoverable)	$ (379,522)	$ 886,719
Future (benefit)	(69,585)	142,865
	$ (449,107)	$ 1,029,584

Income tax liability is comprised of :

	1999	1998
Current income taxes	$ 355,890	$ 933,732
Future income taxes	73,280	142,865
	$ 429,170	$ 1,076,597

18. FINANCIAL INSTRUMENTS

Financial instruments consist of recorded amounts of accounts receivable and the mortgage receivable, which will result in future cash receipts, as well as bank advances, accounts payable and accruals, income taxes payable and long-term debt which will result in future cash outlays.

Financial instruments also include stock options which are in existence but have not been exercised.

a) Interest Rate Risk

The company manages its exposure to interest rate risk through a combination of fixed and floating rate borrowings. The fixed rate debt is subject to interest rate price risk, as the value will fluctuate as a result of changes in market rates. The floating rate debt is subject to interest rate cash flow risk, as the required cash flows to service the debt will fluctuate as a result of changes in market rates.

b) Currency Risk

Currency risk is the risk to the companies' earnings that arises from fluctuations or foreign exchange rates and the degree of volatility of these rates. The company does use derivative instruments to reduce its exposure to foreign currency risk.

c) Credit Risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The company is exposed to credit risk from customers. However, the company has a significant number of customers which minimizes concentration of credit risk.

d) Fair Value

The carrying values of the financial instruments noted above approximate their fair values.

19. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date.

The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure, which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved. However, management has taken steps to ensure that its ability to conduct normal business operations is not significantly affected.

20. LEGAL MATTERS

As of June 25, 1999, the company, Hyduke Resources Ltd., issued a statement of claim against a former manager of one of the divisions of the company for breach of contract and fiduciary duty. The amount of the claim is $500,000 for general damages and $100,000 for punitive damages. The former manager has filed a counter claim for $500,000 claiming constructive dismissal from his position as director of the company. In management's view this counter claim is without merit and will likely be dismissed. No contingency has been provided by management for this claim in these financial statements.

Hyduke Resources Ltd.
Corporate Directory

Board of Directors

John Babic
Chairman and
Chief Executive Officer
Hyduke Resources Ltd.

Boris Makowecki
President
Hyduke Resources Ltd.

Bob Ardiel
Chief Financial Officer
Hyduke Resources Ltd.

Adrian Makowecki
President
A & J Bulk Sales Ltd. and
496001 Alberta Ltd.

Kevin Whitworth
Operations Manager
B.W. Rig Repair & Supply

Peter Lylick
President
King Kat Contracting Ltd.

Erv Lack
Chairman
Canada Overseas Trade
Corporation

Officers

John Babic
Chairman and
Chief Executive Officer

Boris Makowecki
President

Bob Ardiel
Chief Financial Officer

Banker

HSBC Bank Canada
Edmonton, Alberta

Auditors

Watson, Aberant Arnold Chartered Accountants
Edmonton, Alberta

Legal Counsel

Field Atkinson Perraton
Barristers & Solicitors
Edmonton, Alberta
Calgary, Alberta

Transfer Agent & Registrar

The RM Trust Company
Suite 600, 530 - 8 Ave. S.W.
Calgary, Alberta T2P 3S8
1.888.267.6555
Facsimile: 403.267.6879

Stock Exchange Listing

Hyduke Capital Resources Ltd. is traded on The Alberta Stock Exchange under the trading symbol HYD. Fiscal year end is April 30. First, second and third quarters are July 31, October 31 and January 31 respectively.

Head Office

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Annual General Meeting

Hyduke's Annual General and Special Meeting of Shareholders will be held at 3:00 p.m. on Thursday, October 28, 1999, at the Calgary Petroleum Club, 319 - 5 Avenue S.W., Calgary, Alberta

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